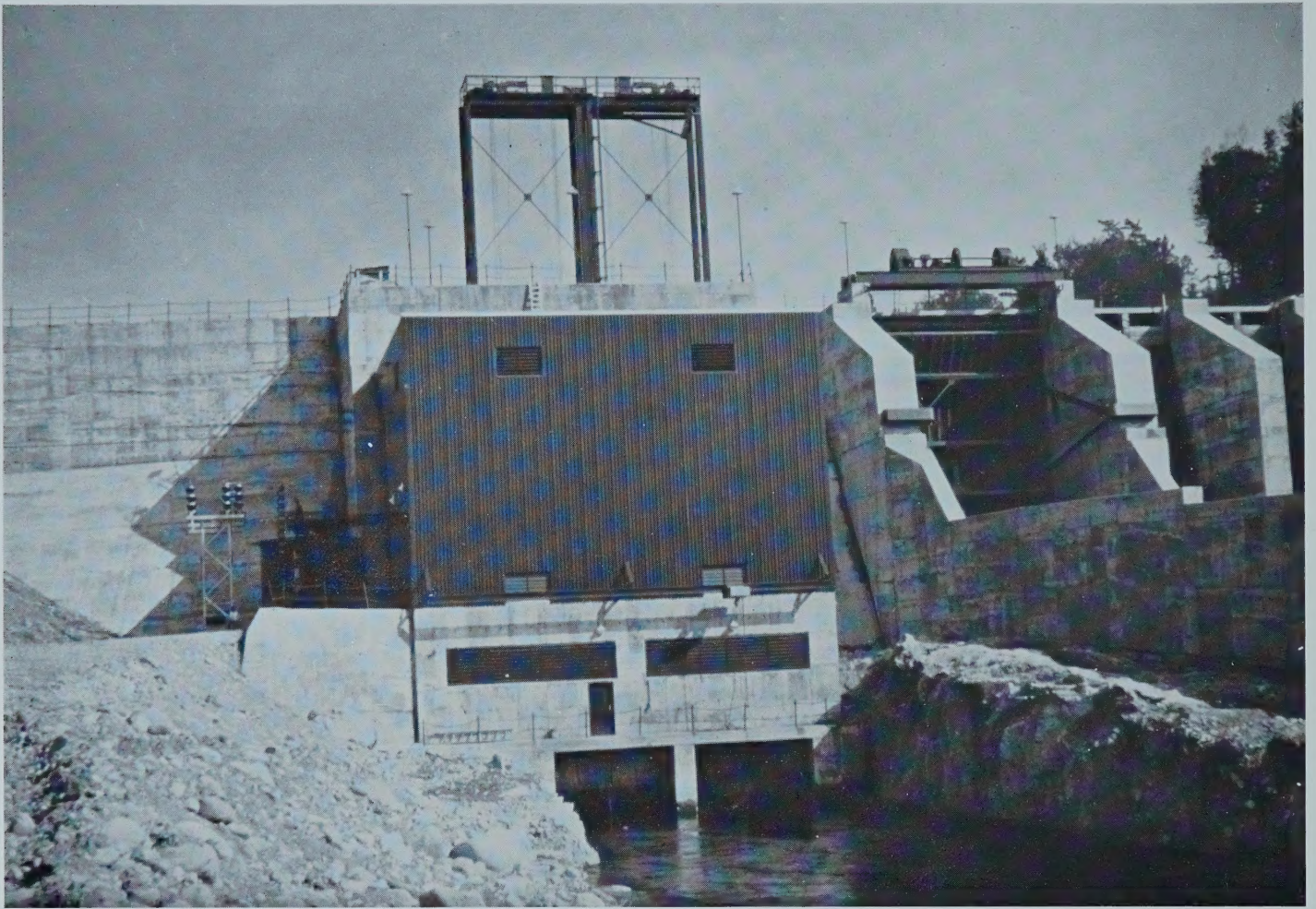


Annual Report 1965



Above is the Hogg Generating Station on the Montreal River. This station was placed in service in January 1965 and is controlled from the Montreal River Upper Falls Generating Station as are two other stations on this river.

GREAT LAKES POWER CORPORATION LIMITED

1965
Annual
Report

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GREAT LAKES POWER CORPORATION LIMITED

General Offices:
122 East Street
Sault Ste. Marie, Ontario

Board of Directors

J. B. CRONYN	Toronto
R. L. CURRAN	Sault Ste. Marie
DR. R. L. HEARN	Queenston
W. M. HOGG	Sault Ste. Marie
F. E. HOLLINGSWORTH	Sault Ste. Marie
F. S. HOLLINGSWORTH	Sault Ste. Marie
A. B. McLEAN	Sault Ste. Marie
J. D. McPHAIL	Sault Ste. Marie
J. H. RATCLIFFE	Toronto
W. P. SCOTT	Toronto
S. M. WEDD	Toronto
W. P. WILDER	Toronto

Officers

F. E. HOLLINGSWORTH	Chairman of the Board of Directors
W. M. HOGG	President
F. H. MacKAY	Vice-President - Electrical Operations
J. R. ANDREWS	Vice-President - Finance
C. R. WALTON	Secretary
B. L. CARRUTHERS	Comptroller
N. A. CLARK	Treasurer

Transfer Agent and Registrar

MONTREAL TRUST COMPANY	15 King St. West Toronto, Ontario and 777 Dorchester Blvd. West Place Ville Marie Montreal, Quebec
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Directors' Report

Your Company delivered 1,120,899,521 kilowatt-hours of electrical energy in 1965 — 1,028,040,061 kilowatt-hours within its own system, up 11.1% over 1964, and 92,859,460 kilowatt-hours of exchange energy to Ontario Hydro. The comparable 1964 amounts were 925,712,132 system kilowatt-hours and 31,213,200 exchange kilowatt-hours, a total of 956,925,332.

Cool weather and above normal precipitation favoured our storages. The resulting good water conditions, which have continued into 1966, enabled the high output of our generating stations. The demand for electrical energy remains at a high level.

Total operating revenues for the year were \$7,805,984, an increase of \$756,136 or 10.7% over 1964. The Hogg Generating Station with a capacity of 16,200 kilowatts was placed in operation in January 1965. This added to the Company's ability to meet increased demand.

Operating expenses, including general taxes but excluding depreciation, were up \$332,252 or 20.1%. There was unusual maintenance at four of your Company's generating stations and above normal maintenance on transmission and distribution power lines. An increase in purchased power resulted when two generating units were down for emergency repairs at the same time. The increase in property taxes was principally due to several years' adjustment refund being credited in 1964.

After deductions for interest and related charges and provision for depreciation and income taxes, net income for 1965 was \$2,172,440 or \$1.79 per share on 1,211,977 shares. Last year's net was \$2,162,929 or \$1.82 per share on 1,188,696 shares. Reduction of taxable income for capital cost allowances, resulting from more construction during 1964, were not available to the same extent in 1965. This was partly responsible for the higher income taxes during the year. Also credits to interest expense for construction in 1964 was likewise reduced in 1965. All of these changes mentioned above restricted the increase in net income.

The Company will claim for tax purposes capital cost allowances in excess of the depreciation recorded for 1965, which results in an estimated reduction of \$211,100 in income taxes. This reduction is reflected in the consolidated statement of income in this report and compares with the \$261,400 reduction for 1964. The total amount by which income taxes have so been reduced in this and prior years is \$3,194,700.

CUSTOMERS

Power is being supplied to Abitibi Paper Company, The Algoma Steel Corporation and its Algoma Ore Properties Division, Linde Gases Division of Union Carbide Canada, Mannesmann Tube Company, The Algoma Central Railway, Renabie Mines, Weyerhaeuser Canada and a number of smaller industries. Power is supplied to Ontario Hydro for distribution in the Chapleau area. The City of Sault Ste. Marie is supplied with power for distribution therein and in adjoining areas. Power is retailed by the Company in twenty-six communities and municipalities, including surrounding rural areas.

During the year approximately \$926,300 was added to Utility Plant. Additions included power lines, services to new customers and improvements to generating and substation facilities.

Power is now being produced in nine hydro-electric generating stations with an aggregate capability of 192,000 kilowatts, all interconnected with 317 miles of transmission lines. The Company sells 12,500 hydraulic horsepower to the Abitibi Paper Company from the power canal at Sault Ste. Marie, Ontario. In addition, electrical energy is available from Ontario Hydro, which is delivered as required over the Company's interconnection with the Hydro System. Studies and appraisals related to developments for future load increases and for improvements within our system are continually being processed.

FINANCIAL

All interest payments and sinking fund provisions of the Company's first mortgage bonds and debentures for the year 1965 have been made.

During the year purchase warrants and employee options were exercised for 21,381 and 1,900 common shares respectively. At December 31, 1965 there were 1,211,977 common shares outstanding.

One quarterly dividend of 25c per share and three quarterly dividends of 30c were paid during the year, making a total payment of \$1.15 for each share outstanding for the full year.

It is with sorrow that we record the death of Mr. H. E. Cochran, a Director of this Company since October 7, 1955. He was greatly interested in the development of the Company and his contribution to our progress will be missed.

Mr. J. B. Cronyn, an associate of Mr. Cochran and President of Cochran, Murray & Co. Limited, was appointed a Director in October and will bring valuable experience to our Board.

The Directors are grateful to our officers and employees who gave their usual interested and able support to our operations, contributing to another good year for your Company.

On behalf of the Board of Directors,

F. E. HOLLINGSWORTH, *Chairman.*

W. M. HOGG, *President.*

March 18, 1966.

GREAT LAKES POWER CORPORATION LIMITED
AND SUBSIDIARY COMPANY

*Consolidated Statement of Income
and Retained Earnings*

FOR THE YEAR ENDED DECEMBER 31
1965 1964

Operating Revenue		
Electric	\$ 7 743 130	\$ 6 986 994
Hydraulic	62 854	62 854
	7 805 984	7 049 848
Operating Expenses		
Operation	955 397	820 966
Purchased power	298 219	268 793
Maintenance	518 059	393 384
Depreciation	1 065 656	1 009 667
Taxes, other than income taxes	202 607	158 855
Directors' fees	13 895	13 927
	3 053 833	2 665 592
Operating Income	4 752 151	4 384 256
Other Income		
Interest	11 037	6 939
Discount on redemption of bonds and debentures	30 190	27 850
Capital gains on investments and fixed assets	—	15 561
Income Available for Interest Charges	4 793 378	4 434 606
Interest Charges		
Interest on long-term debt	892 688	922 630
Bank interest	13 468	10 540
Amortization of debt discount and expense	33 568	35 118
	939 724	968 288
Less—Interest charged to construction	28 286	157 711
	911 438	810 577
Net Income Before Income Taxes	3 881 940	3 624 029
Provision for Income Taxes (Note 3)	1 709 500	1 461 100
NET INCOME	2 172 440	2 162 929
Retained earnings at beginning of year	11 530 000	10 448 459
Add—		
Contributions in aid of construction	14 742	10 134
	13 717 182	12 621 522
Deduct—		
Dividends declared and paid	1 388 636	1 091 522
RETAINED EARNINGS AT END OF YEAR	\$12 328 546	\$11 530 000

Consolidated Balance Sheet AS AT DECEMBER 31, 1965

ASSETS	1965	1964
Utility Plant		
Stated on the basis of fair value of \$22,200,000 as at December 31, 1949 of property acquired as an entirety as appraised by H. G. Acres & Company, consulting engineers, plus subsequent additions at cost, less retirements	\$55 777 715	\$55 194 945
Less—Accumulated depreciation	11 671 722	10 794 819
	<u>44 105 993</u>	<u>44 400 126</u>
Current Assets		
Cash	130 223	18 089
Accounts receivable	780 179	736 425
Materials and supplies, valued at average cost	140 002	132 753
Prepayments	118 590	144 244
	<u>1 168 994</u>	<u>1 031 511</u>
Unamortized Debt Discount and Expense	<u>238 378</u>	<u>271 946</u>
	<u><u>\$45 513 365</u></u>	<u><u>\$45 703 583</u></u>

Approved on behalf of the Board:

W. M. HOGG, *Director*.

W. P. SCOTT, *Director*.

AUDITORS' REPORT

We have examined the consolidated financial statements (consolidation) and its subsidiary, Great Lakes Power Company, above consolidated balance sheet as at that date and the earnings and source and application of funds for the year accounting procedures and such tests of accounting records the circumstances.

In our opinion the aforementioned consolidated financial statements and its subsidiary as at December 31, 1965 and the funds for the year then ended, in accordance with general practice with that of the preceding year.

Toronto 1, Ontario,
January 31, 1966.

GREAT LAKES POWER CORPORATION LIMITED
AND SUBSIDIARY COMPANY

LIABILITIES	1965	1964
Capitalization		
Common shares—(Note 1)		
Authorized—		
2,500,000 shares without par value		
Issued—		
1,211,977 shares (1,188,696 shares in 1964)	\$ 3 754 880	\$ 3 463 081
Retained earnings per accompanying statement	12 328 546	11 530 000
Excess of appraised value of utility plant assets over cost as at		
December 31, 1949, less subsequent retirements	8 812 184	8 908 727
Common share equity	<u>24 895 610</u>	<u>23 901 808</u>
Preference shares—		
Authorized—		
120,000 shares of \$25 par value each, issuable in one or more series		
Long-Term Debt (Note 2)	19 397 000	19 990 000
Total Capitalization	<u>44 292 610</u>	<u>43 891 808</u>
Current Liabilities (Note 2)		
Bank loan	—	500 000
Accounts payable and accrued	460 635	602 794
Income taxes	710 396	657 846
Customers' deposits	29 258	30 669
	<u>1 200 289</u>	<u>1 791 309</u>
Customers' Advances for Construction	<u>20 466</u>	<u>20 466</u>
	<u><u>\$45 513 365</u></u>	<u><u>\$45 703 583</u></u>

THE SHAREHOLDERS

Great Lakes Power Corporation Limited (an Ontario Corporation), for the year ended December 31, 1965 comprising the accompanying consolidated statements of income and retained earnings. Our examination included a general review of the financial statements and other supporting evidence as we considered necessary in connection with the audit.

The financial statements present fairly the financial position of the corporation and the results of their operations and the source and application of funds, in accordance with the accounting principles accepted and applied on a basis consistent with the practice of the industry.

RIDDELL, STEAD, GRAHAM & HUTCHISON
Chartered Accountants.

Notes to Consolidated Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 1965

1. Common shares reserved for option and warrants are as follows:

Shares Reserved as at December 31		Price Per Share	Shares Issued in 1965		Expiry Date
1965	1964		No.	Proceeds	
12 100	14 000	\$21.60	1 900	\$ 41 040	December 3, 1973
20 925	42 310	12.40	21 381	250 759 (b)	May 15, 1967
500 (a)	—	28.80	—	—	October 1, 1975
33 525	56 310		23 281	\$291 799	

(a) Options granted during 1965.

(b) 17,857 shares issued prior to May 15, 1965 when the option price was \$11.60 per share. Proceeds were reduced by cash payments for eight ½ shares on conversions.

2. Long-term debt consists of the following:

	Balance as at December 31		Maximum Sinking Fund Requirements 1966
	1965	1964	
First Mortgage Twenty-Year Sinking Fund Bonds			
(authorized \$15,000,000)			
3½% Series A, due December 30, 1969	\$ 4 800 000	\$ 5 000 000	\$ 201 000
4¾% Series B, due February 1, 1972	1 019 000	1 056 000	37 000
5% Series C, due February 1, 1973	1 578 000	1 634 000	56 000
4½% Series D, due December 1, 1976	3 600 000	3 700 000	100 000
Twenty-Year Sinking Fund Debentures			
4¼% 1955 Series, due August 1, 1975	3 850 000	3 950 000	100 900
5¾% 1957 Series, due May 15, 1977	4 550 000	4 650 000	100 000
	\$19 397 000	\$19 990 000	\$ 594 900

The maximum sinking fund requirements for 1966 are excluded from current liabilities as at December 31, 1965.

3. As it is the corporation's intention to claim for income tax purposes capital cost allowances in excess of the depreciation recorded in the accounts, the 1965 provision for income taxes is \$211,100 less than would otherwise have been provided. The accumulated amount by which income taxes have been so reduced in this and prior years is \$3,194,700.
4. The utility plant, excluding the appraisal increment thereon and non-depreciable assets, is being depreciated on a straight-line basis over the estimated useful life of the plant. Debt discount and expense is amortized over the term of the issue, adjusted for annual retirements.

GREAT LAKES POWER CORPORATION LIMITED
AND SUBSIDIARY COMPANY

*Consolidated Statement of Source
and Application of Funds*

FOR THE YEAR ENDED DECEMBER 31

	1965	1964
Source of Funds		
From operations—		
Net income for the year	\$ 2 172 440	\$ 2 162 929
Depreciation on utility plant	1 065 656	1 009 667
Amortization of debt discount and expense	33 568	35 118
	3 271 664	3 207 714
Proceeds from shares issued	291 799	176 838
Proceeds from utility plant retirements	58 265	25 057
Contributions in aid of construction	14 742	10 134
	3 636 470	3 419 743
Funds Applied		
Payment of dividends	1 388 636	1 091 522
Additions to utility plant	926 331	2 453 385
Retirement of long-term debt	593 000	593 000
Repayment of construction advance	—	325
	2 907 967	4 138 232
Increase (Decrease) in Working Capital Position	\$ 728 503	\$ (718 489)

<i>Comparative Statistical Data</i>	1965	1964	1963	1962
Number of communities served — retail electricity	26	26	26	26
† Total population served with electricity — retail	19 020	18 830	18 565	18 125
* Number of residential electric customers	5 694	5 467	5 187	4 890
* Number of electric customers other than residential	516	492	467	416
Electric sales — kilowatt-hours (000 omitted)	1 120 900	956 925	868 830	908 279
Capability of hydro-electric stations — kilowatts	192 000	175 800	175 800	175 800
Number of hydro-electric stations	9	8	8	8
Pole miles of transmission and distribution line includ- ing 15.8 miles of line operated but not owned	1 161	1 122	1 104	1 010

†—Exclusive of an estimated population of 73,000 served by the Public Utilities Commission in the City of Sault Ste. Marie and adjoining area for the year 1965.

*—Exclusive of approximately 18,900 residential and 2,150 other electric customers served by the Public Utilities Commission in the City of Sault Ste. Marie and adjoining area for the year 1965.

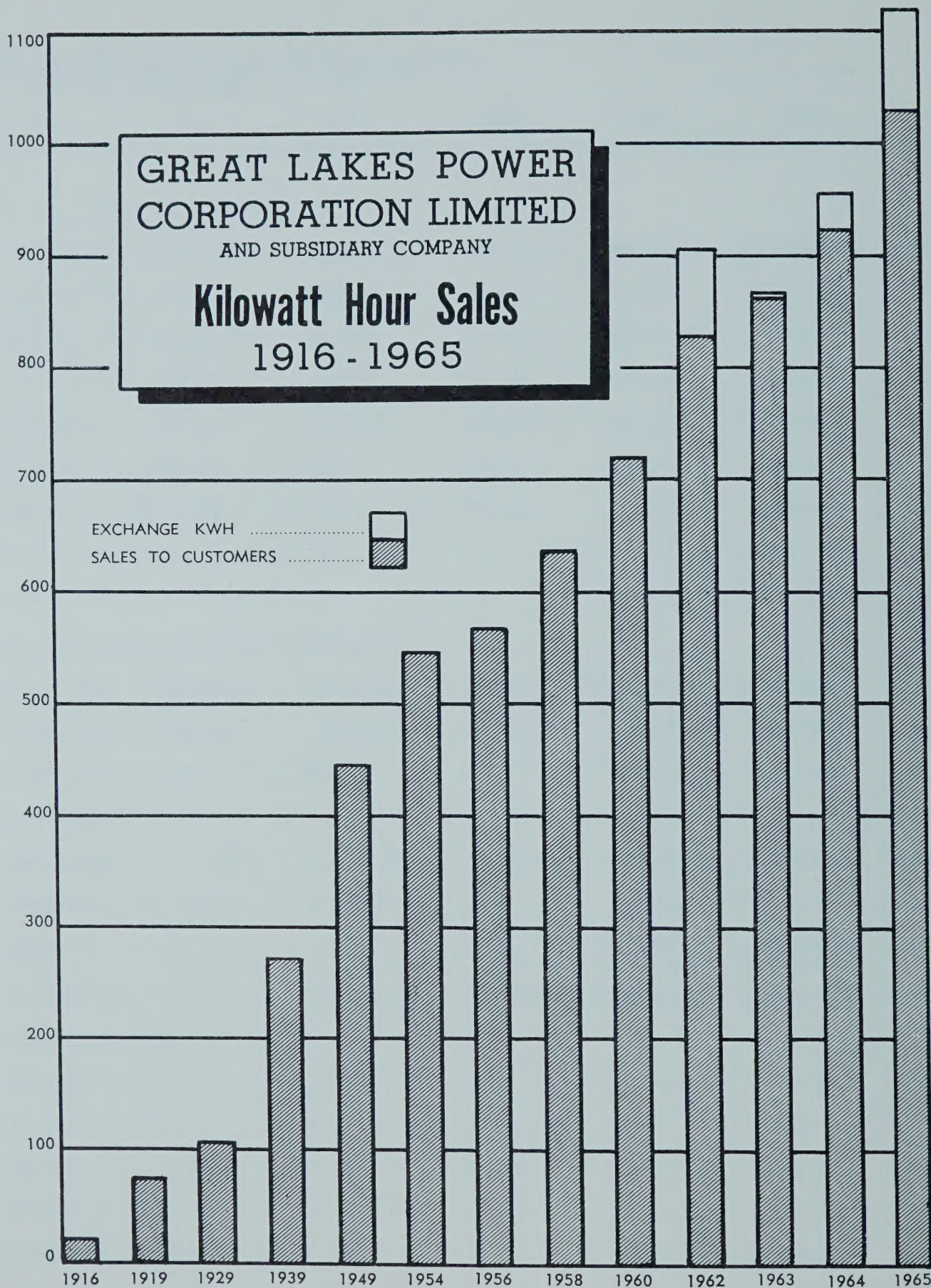
Ten Years in Review

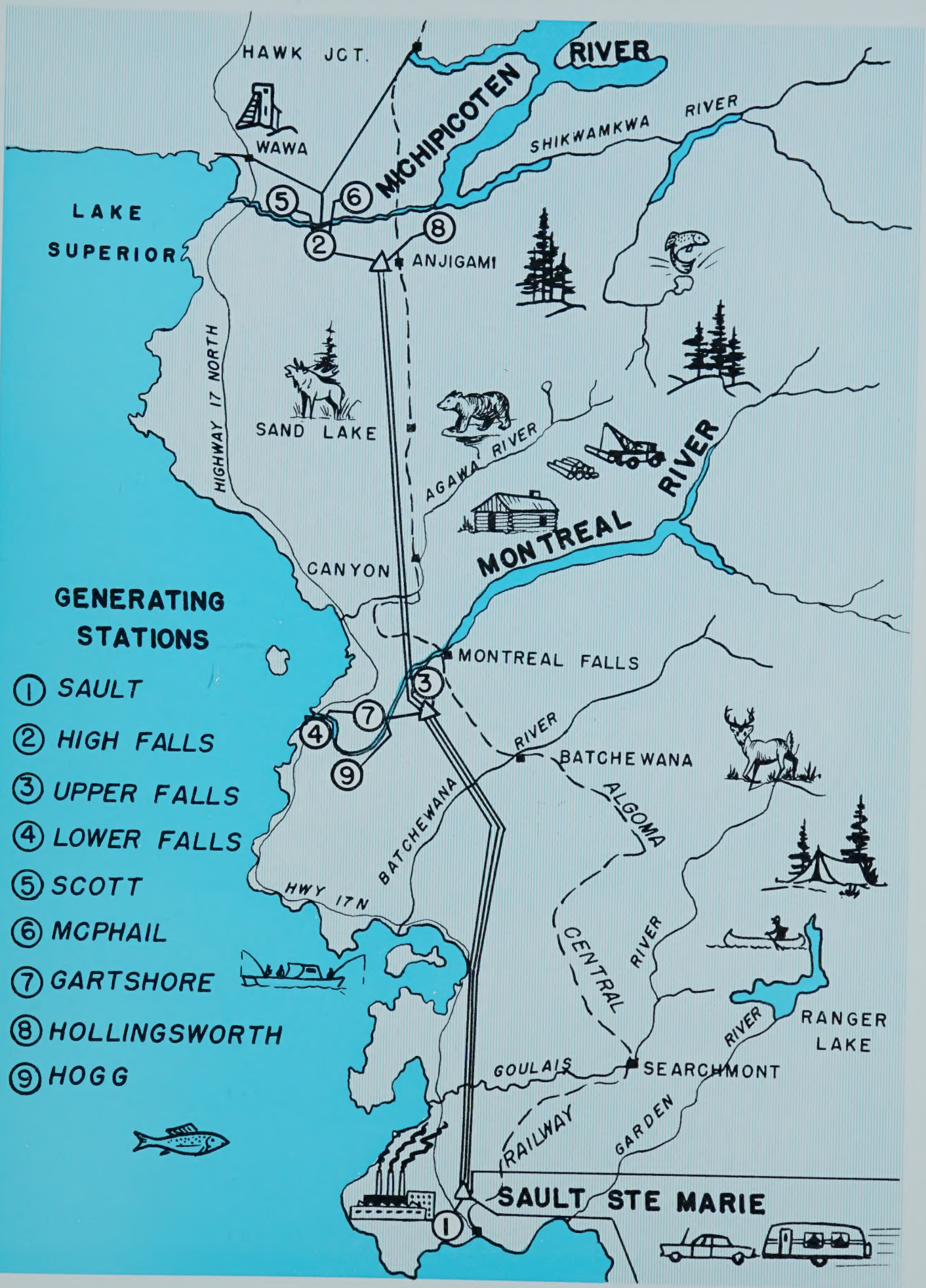
	1965	1964	1963
CONSOLIDATED INCOME DATA			
Operating Revenue	\$ 7 805 984	\$ 7 049 848	\$ 6 463 796
Depreciation	1 065 656	1 009 667	988 290
Interest on Long-Term Debt	892 688	922 630	938 423
Provision for Income Taxes	1 709 500	1 461 100	1 204 400
Net Income	2 172 440	2 162 929	1 839 240
Dividends Paid — Preference Stock	—	—	—
Number of Common Shares Issued at Year End	1 211 977	1 188 696	1 173 216
Earnings Per Share — Common Stock	\$ 1.79	\$ 1.82	\$ 1.57
Paid Per Share — Common Stock	1.15	.92½	.82½
CONSOLIDATED BALANCE SHEET DATA			
Utility Plant	\$55 777 715	\$55 194 945	\$52 875 894
Accumulated Depreciation	11 671 722	10 794 819	9 861 726
Per Cent Depreciation to Utility Plant	20.9	19.6	18.7
Capitalization			
Long-term debt	\$19 397 000	\$19 990 000	\$20 583 000
Preference stock	—	—	—
Common stock equity	24 895 610	23 901 808	22 676 132
Total Capitalization	\$44 292 610	\$43 891 808	\$43 259 132
Capitalization Ratio — %			
Long-term debt	43.8	45.5	47.6
Preference stock	—	—	—
Common stock equity	56.2	54.5	52.4
Per Cent Long-Term Debt to Net Utility Plant	44.0	45.0	47.9
Common Stock Equity — Per Share at End of Year	\$ 20.54	\$ 20.11	\$ 19.33

GREAT LAKES POWER CORPORATION LIMITED
AND SUBSIDIARY COMPANY

1962	1961	1960	1959	1958	1957	1956
\$ 6 250 689	\$ 5 729 411	\$ 5 187 083	\$ 5 112 638	\$ 4 002 325	\$ 3 700 109	\$ 3 255 403
964 650	951 799	938 793	825 614	651 483	525 019	463 528
966 254	989 797	1 006 256	1 026 963	1 041 246	912 259	619 212
1 177 300	883 000	657 400	598 700	157 400	295 700	343 700
1 674 588	1 409 888	1 290 158	1 502 020	1 387 486	1 196 255	1 035 153
—	45 038	91 123	92 528	92 528	93 388	95 646
1 112 803	1 052 037	1 020 987	1 016 100	1 000 000	1 000 000	1 000 000
\$ 1.50	\$ 1.30	\$ 1.17	\$ 1.39	\$ 1.29	\$ 1.10	\$.94
.80	.47½	—	—	—	—	—
\$49 708 260	\$49 253 095	\$48 861 384	\$48 300 278	\$46 984 949	\$39 598 527	\$34 580 710
8 894 143	7 993 124	7 088 008	6 181 868	5 402 107	4 754 488	4 269 933
17.9	16.2	14.5	12.8	11.5	12.0	12.3
\$21 176 000	\$21 719 000	\$22 162 000	\$22 555 000	\$22 898 000	\$23 241 000	\$16 534 000
—	—	1 813 075	1 850 575	1 850 575	1 850 575	1 902 075
20 917 492	19 615 984	18 532 818	17 282 357	15 692 476	14 395 266	13 280 426
\$42 093 492	\$41 334 984	\$42 507 893	\$41 687 932	\$40 441 051	\$39 486 841	\$31 716 501
50.3	52.5	52.1	54.1	56.6	58.9	52.1
—	—	4.3	4.4	4.6	4.7	6.0
49.7	47.5	43.6	41.5	38.8	36.4	41.9
51.9	52.6	53.1	53.6	55.1	66.7	54.5
\$ 18.80	\$ 18.65	\$ 18.15	\$ 17.01	\$ 15.69	\$ 14.40	\$ 13.28

MILLIONS OF KILOWATT-HOURS





GENERATING STATIONS

- ① SAULT
- ② HIGH FALLS
- ③ UPPER FALLS
- ④ LOWER FALLS
- ⑤ SCOTT
- ⑥ MCPHAIL
- ⑦ GARTSHORE
- ⑧ HOLLINGSWORTH
- ⑨ HOGG

